

AR52

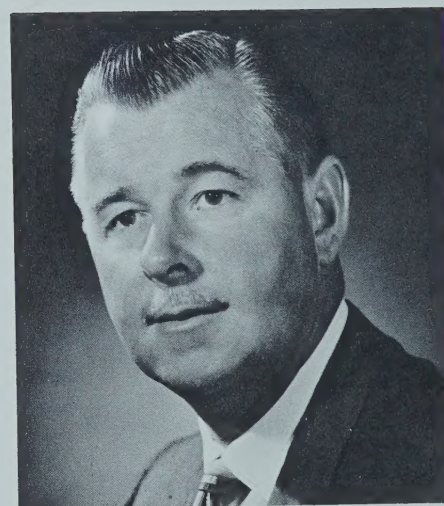
Cal-Dale

CALVERT-DALE ESTATES LIMITED

Annual Report
1970

DIRECTORS' REPORT to the Shareholders

Roy A. Nicholson, President



The close of the company's fiscal year on June 27, 1970 marked the end of the second year of a two year financing and management plan. It was estimated in 1968 that financial improvement would not be discernible for at least twenty-four months from the date of the plan's adoption.

We are gratified indeed to report that 1969-70 was a year of notable accomplishment in the development of the company.

Sales increased 10 percent to \$6,190,000.

Operating results showed an improvement of \$218,000 to a profit of \$19,200.

Net income for the year including capital gains and losses amounted to \$75,000 compared with a loss in the previous year of \$212,000.

Early in the year \$300,000 additional financing in the form of 10 percent convertible debentures was acquired to complete the reorganization.

The increase in working capital of \$24,000, excluding the debenture proceeds, represents a significant improvement in the company's affairs when compared with the \$380,000 working capital impairment of the previous year.

Capital expenditures were reduced from \$170,000 to \$70,000. Proceeds from the sale of surplus property in Chinguacousy Township were applied to reduce the outstanding long term debt.

Growth prospects for the flower industry remain most encouraging and Calvert-Dale will continue to play an increasing role in its future.

The company's planning consultants are developing long range plans for the property situate in Brampton, particularly that which will become surplus to operating requirements. Preliminary plans and studies have been presented to the municipality with a view to facilitating the orderly integration of these properties with overall town planning. Further studies are being carried out in conjunction with the municipality.

Our progress in 1970 was made possible by the many outstanding contributions of our personnel. To them, and to our customers, suppliers and shareholders we extend our sincerest appreciation.

On behalf of the Board of Directors

A handwritten signature in dark ink, appearing to read "Roy A. Nicholson". The signature is stylized with a large, looped initial "R" and a cursive "Nicholson".

ROY A. NICHOLSON, President.

Brampton, October 1, 1970.



**Calvert-Dale Estates Limited
and subsidiary companies**

(Incorporated under the laws of Ontario)

Consolidated Balance Sheet

June 27, 1970

	ASSETS	
CURRENT:	1970	1969
Cash	\$ 4,095	\$ 5,110
Accounts receivable	793,261	694,070
Inventories of resale merchandise and production supplies valued at the lower of cost or net realizable value	635,411	571,065
Current portion of mortgages receivable	23,000	6,000
Prepaid expenses	21,521	26,070
	<u>1,477,288</u>	<u>1,302,315</u>
MORTGAGES RECEIVABLE (note 2)	<u>414,433</u>	<u>439,433</u>
FIXED (note 3):		
Land, buildings and equipment at cost less accumulated depreciation	<u>1,726,929</u>	<u>1,822,323</u>
OTHER:		
Sundry deposits	33,064	29,159
Growing crops, patents and trade-marks	1	1
	<u>33,065</u>	<u>29,160</u>
	<u>\$3,651,715</u>	<u>\$3,593,231</u>

On behalf of the Board:

R. A. NICHOLSON,
Director

W. R. PIERSON, JR.,
Director

(See accompanying notes)

LIABILITIES

CURRENT:

	1970	1969
Bank indebtedness (note 4)	\$1,071,663	\$1,141,169
Accounts payable and accrued charges	577,267	598,589
Sales and other taxes payable	33,393	39,106
Long term debt payments due within one year	82,100	135,000

1,764,423

1,913,864

LONG TERM DEBT (note 5)

1,487,042

1,354,486

SHAREHOLDERS' EQUITY

SHARE CAPITAL (note 6):

Authorized—2,000,000 shares without par value

Issued — 943,018 shares

1,489,751

1,489,751

CONTRIBUTED SURPLUS

7,500

7,500

1,497,251

1,497,251

DEFICIT

1,097,001

1,172,370

400,250

324,881

\$3,651,715

\$3,593,231

AUDITORS' REPORT

To the Shareholders of
Calvert-Dale Estates Limited:

We have examined the consolidated balance sheet of Calvert-Dale Estates Limited and its subsidiaries as at June 27, 1970 and the consolidated statements of income, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at June 27, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to the change in accounting for gains and losses on disposal of fixed assets explained in note 10 to the consolidated financial statements.

Toronto, Canada.
September 8, 1970.

Clarkson, Gordon & Co.
Chartered Accountants

Cal-Dale Calvert-Dale Estates Limited

Consolidated Statement of Income

Year (52 Weeks) Ended June 27, 1970

	1970	1969
Sales	\$6,190,268	\$5,624,539
Income before the following items	\$ 317,590	\$ 66,320
Interest earned	41,562	38,889
	359,152	105,209
Depreciation	122,689	115,491
Interest on long term debt	116,535	108,456
Other interest	100,728	79,823
	339,952	303,770
Operating profit (loss) for the year	19,200	(198,561)
Profit (loss) on disposal of fixed assets	56,169	(14,168)
Net income (loss) for the year (note 10)	\$ 75,369	\$ (212,729)
Income (loss) per share (note 11)	\$ 0.08	\$ (0.24)

Consolidated Statement of Deficit

Year (52 Weeks) Ended June 27, 1970

	1970	1969
Deficit, beginning of year	\$1,172,370	\$ 959,641
Net income (loss) for the year	75,369	(212,729)
Deficit, end of year	\$1,097,001	\$1,172,370

(See acco

Consolidated Statement of Source and Application of Funds

Year (52 Weeks) Ended June 27, 1970

	1970	1969
SOURCE OF FUNDS:		
Operations—		
Operating profit (loss)	\$ 19,200	\$(198,561)
Depreciation, a charge not requiring an outlay of funds	122,689	115,491
	141,889	(83,070)
Issue of 10% subordinated convertible sinking fund debentures	300,000	
Proceeds from sale of property	98,619	
Reduction in mortgages receivable	25,000	8,000
Issue of shares for cash		2
	565,508	(75,068)
APPLICATION OF FUNDS:		
Reduction of long term debt (in 1969 net of amounts converted to shares)	167,444	138,049
Purchase of fixed assets—net	69,745	169,650
Increase in sundry deposits	3,905	569
	241,094	308,268
(Increase) decrease in working capital	(324,414)	383,336
Working capital deficiency, beginning of year	611,549	228,213
Working capital deficiency, end of year	\$287,135	\$ 611,549

Notes to Consolidated Financial Statements

June 27, 1970

1. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the company's wholly-owned inactive subsidiaries.

2. MORTGAGES RECEIVABLE

	1970	1969
5 $\frac{1}{4}$ % due February 1, 1973	\$ 268,358	\$ 268,358
7% due September 1, 1970	17,000	19,000
7 $\frac{1}{2}$ % due \$2,000 each year to 1972, balance due June 25, 1973	21,500	23,500
7 $\frac{1}{2}$ % due \$4,000 each year to 1972, balance due June 25, 1973	130,575	134,575
	<u>437,433</u>	<u>445,433</u>
Less amounts receivable within one year, included with current assets	23,000	6,000
	<u>\$ 414,433</u>	<u>\$ 439,433</u>

The mortgages receivable have been assigned as collateral security for the 7 $\frac{1}{4}$ % and 7 $\frac{1}{2}$ % mortgages payable January 1, 1980.

3. FIXED ASSETS

	Cost	Accumulated depreciation	Net book value	
			1970	1969
Land (including deferred planning costs of \$20,618 in 1970)	\$ 686,763		\$ 686,763	\$ 699,058
Buildings and leasehold improvements	1,338,650	\$448,628	890,022	951,850
Machinery and equipment	282,137	196,708	85,429	98,113
Motor vehicles	133,258	86,062	47,196	55,053
Roadways	21,924	4,405	17,519	18,249
	<u>\$2,462,732</u>	<u>\$735,803</u>	<u>\$1,726,929</u>	<u>\$1,822,323</u>

4. BANK INDEBTEDNESS

The bank indebtedness of \$1,071,663 is secured by a general assignment of book debts, crops pledged under Section 88 of the Bank Act, a floating charge debenture and a subordinated collateral mortgage on the company's real estate.

The bank also holds a mortgage bond in the amount of \$300,000 that has been hypothecated with it as collateral security for the long term bank loan referred to in note 5 below. Under certain circumstances the bank has the right to require earlier repayment of this loan. The principal repayment of \$25,000 due September 3, 1970 has been waived.

5. LONG TERM DEBT

5. LONG TERM DEBT		Original borrowing	Outstanding	
			1970	1969
Mortgages:				
7 ¹ / ₄ % due January 1, 1980 payable \$8,500 quarterly . . .		\$500,000	\$ 299,962	\$ 355,819
7 ¹ / ₂ % due January 1, 1980, payable \$6,500 quarterly . . .		400,000	250,880	294,667
6% due January 1, 1975, payable \$50,000 annually . . .		500,000	234,100	300,000
Convertible debentures:				
7 ¹ / ₄ % sinking fund debentures maturing December 15, 1976, annual sinking fund instalment of \$20,000 (a)		350,000	200,200	250,000
7% subordinated debentures maturing October 1, 1974 (b)		150,000	19,000	19,000
10% subordinated sinking fund debentures maturing October 1, 1979, annual sinking fund instalment of \$37,500 commencing October 1, 1974 (c)		300,000	300,000	
Notes payable (unsecured):				
6% repayable \$5,000 in each of the years 1971 to 1973 . .		50,000	15,000	20,000
Bank loan:				
Repayable \$25,000 each year to 1972, balance payable September 3, 1973 (note 4)		300,000	250,000	250,000
			1,569,142	1,489,486
Less amounts due within one year, included with current liabilities			82,100	135,000
			\$1,487,042	\$1,354,486

The conversion rates on the debentures described below are subject to change should additional shares of the company be issued.

- The 7 $\frac{1}{4}$ % sinking fund debentures, which are secured by charges against the company's real property, may be called for redemption at a premium of 3% until December 15, 1970 and thereafter at premiums declining annually by $\frac{1}{2}$ of 1% until December 15, 1975 after which date they are redeemable at the principal amount. These debentures are convertible at the holder's option into shares of the company at \$3.34 per share until December 15, 1971 and \$5.34 per share thereafter until December 14, 1976.
- The 7% subordinated debentures may be called for redemption at a premium of 2 $\frac{1}{2}$ % until September 30, 1970 and thereafter at premiums declining annually by $\frac{1}{2}$ of 1% until September 30, 1973 after which date they are redeemable at the principal amount. These debentures are convertible at the holder's option into shares of the company at \$1.11 per share until September 30, 1974.
- The 10% subordinated sinking fund debentures may be called for redemption at a premium of 10% until September 30, 1970 and thereafter at premiums declining annually by 1% until September 29, 1979 after which date they are redeemable at the principal amount. After December 16, 1970 these debentures are convertible at the holder's option into shares of the company at \$0.90 per share until September 30, 1979.

Notes to Consolidated Financial Statements

June 27, 1970

6. SHARE CAPITAL

- (a) The company obtained supplementary letters patent dated November 6, 1969 increasing the authorized capital by the creation of an additional 500,000 shares without par value, ranking on a parity with the then existing 1,500,000 shares.
- (b) Reservations of shares:
222,552 shares are reserved for possible issue upon the exercise of warrants presently outstanding. Such warrants entitle the holder thereof to purchase shares at a price of \$3.37 per share until December 15, 1970, the expiry date.
410,392 shares are reserved for possible conversion of the debentures referred to in note 5.

7. CORPORATE INCOME TAXES

Income taxes otherwise payable of approximately \$3,000 have been eliminated through the application of prior years' losses. Losses aggregating \$231,028 incurred in prior years and depreciation charges of \$867,000 recorded in the company's accounts but not claimed for tax purposes, are available to reduce taxable income of future years.

8. CONTRACTUAL COMMITMENTS

- (a) Under contractual obligations with respect to leased premises the company is committed to aggregate annual rentals of approximately \$100,000 to 1975 and \$80,000 thereafter to 1986.
- (b) In September 1969 the company entered into an agreement with S. Eric Johnson Limited to prepare a development report in connection with the company's lands, including proposals and recommendations for future land uses, and to present these recommendations to the appropriate governmental and regulatory authorities with respect to all proposed land use changes. Future payments required for these services are estimated to be \$80,000 of which \$60,000 will be payable over the next eighteen months. Payments of \$20,618 made in 1970 have been deferred and included with the carrying value of land in the accompanying financial statements.

9. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Remuneration of directors and senior officers (as defined under The Corporations Act, Ontario) amounted to \$96,840 in the year, including \$2,850 paid as directors' fees.

10. CHANGES IN ACCOUNTING PRACTICE AND CLASSIFICATION

- (a) The company has adopted the policy of including gains and losses on disposal of fixed assets in the consolidated statement of income rather than in the consolidated statement of deficit. The 1969 loss has been restated to give retroactive effect to this change.
- (b) For purposes of comparison with 1970 classifications, certain of the 1969 figures shown in the accompanying balance sheet have been restated from amounts previously reported.

11. INCOME PER SHARE

Conversion of the convertible debentures and exercise of the share purchase warrants would not have materially diluted the income per share.

DIRECTORS

W. J. Corrigan, Jr.
M. Gaasenbeek*
P. Latchman*
H. G. McCarthy, C.A.
R. A. Nicholson*

W. R. Pierson, Jr.*
W. V. Smith, C.A.
J. C. Stradwick, Sr.
W. J. Walker, C.A.
A. H. Zaldin, Q.C.*

*Members of Executive Committee

OFFICERS

R. A. Nicholson, *President*
W. R. Pierson, Jr., *Vice-President and General Manager*
W. J. Walker, C.A., *Treasurer and Asst. General Manager*
G. D. Stephens, C.A., *Controller*
A. H. Zaldin, Q.C., *Secretary*

AUDITORS

Clarkson, Gordon & Co.

BANKER

Toronto-Dominion Bank

LOCATIONS

Greenhouses and head office—
Brampton, Ontario

Wholesale branches—Montreal
Ottawa
Toronto

LISTED ON

Toronto Stock Exchange

REGISTRAR AND TRANSFER AGENT

Canada Permanent Trust Company, Toronto

